

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 18-145—sSB 263

Commerce Committee

Finance, Revenue and Bonding Committee

**AN ACT ELIMINATING CERTAIN UNCLAIMED AND SELDOM
CLAIMED TAX CREDITS**

SUMMARY: This act ends two economic development corporation business tax credit programs. It

1. closes, on or after July 1, 2018, new applications for the 10-year credit available for developing or acquiring facilities for specified uses in the state's 18 enterprise zones and other designated areas (see BACKGROUND), but allows businesses that were awarded the credit before this date to continue to claim it until the end of the 10-year period and
2. eliminates the tax credit for establishing new businesses in the enterprise zones and makes several technical and conforming changes.

EFFECTIVE DATE: July 1, 2018, except the changes to the tax credits for acquiring or developing facilities in designated areas take effect on or after that date and are applicable to income years beginning on or after January 1, 2018.

ELIMINATED TAX CREDIT PROGRAMS

Developing or Acquiring Facilities in Enterprise Zones and other Designated Areas (CGS § 12-217e)

The act ends the economic and community development commissioner's authority to issue new certificates necessary to claim the 10-year corporation business tax credit for developing or acquiring facilities in designated areas on July 1, 2018. It also prohibits new credits from being claimed under the program for any income year beginning on or after January 1, 2018.

The program currently has two components, based on a facility's type and location designation. The first component provides a flat 10-year credit for an amount that varies depending on a facility's location and use, as follows:

1. 25% credit for businesses acquiring or improving facilities for manufacturing or entertainment uses in a targeted investment community (i.e., a municipality with an enterprise zone), enterprise zone, or airport development zone;
2. 25% credit for businesses in airport development zones that are dependent upon or related to airport operations; and
3. 50% credit for businesses acquiring or developing facilities for manufacturing, entertainment, specified services, and information technology uses, if they also (a) hire at least 150 people who reside in the

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zone or the host municipality and qualify for federal job training assistance or (b) fill at least 30% of the jobs with people who reside in the zone or host municipality and qualify for such assistance.

The program's second component provides a 10-year sliding scale credit to service facilities that acquire or develop property in a municipality with an enterprise zone (which are statutorily designated targeted investment communities) but on a site located outside the enterprise zone. The credit amount is based on the number of jobs they create and ranges from 15% for creating between 300 and 500 jobs to 50% for creating 2,000 or more jobs.

Under the act, businesses that were approved for credits under both components before July 1, 2018, may continue to claim them until the end of the 10-year period.

Creating Corporations in Enterprise Zones (CGS § 12-217v)

The act eliminates the 10-year corporation business tax credit for creating a business in an enterprise zone and meeting specified employment goals. The credit is for 100% of the business's tax liability for the first three years and 50% for the next seven.

BACKGROUND

Designated Areas

The act ends two economic development tax credit programs for businesses in distressed municipalities and targeted investment communities (i.e., the municipalities with enterprise zones). The economic and community development commissioner annually designates distressed municipalities based on statutory criteria. By law, a targeted investment community is any municipality with an enterprise zone. Table 1 identifies the current (2017) distressed municipalities and targeted investment communities.

Table 1: Targeted Investment Communities and Distressed Municipalities

| Targeted Investment Communities | | Distressed Municipalities | |
|--|-------------|----------------------------------|-------------|
| Bridgeport | New Haven | Ansonia | Naugatuck |
| Bristol | New London | Bridgeport | New Britain |
| East Hartford | Norwalk | Bristol | New Haven |
| Groton | Norwich | Chaplin | New London |
| Hamden | Southington | Derby | Norwich |
| Hartford | Stamford | East Hartford | Plymouth |
| Meriden | Thomaston | East Haven | Putnam |

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|-------------|-----------|-----------|------------|
| Middletown | Waterbury | Enfield | Sprague |
| New Britain | Windham | Griswold | Torrington |
| | | Hartford | Waterbury |
| | | Killingly | West Haven |
| | | Meriden | Windham |
| | | Montville | |

The municipalities with entertainment districts are Bridgeport, New Britain, Stamford, and Windham.

The municipalities that have or are part of an airport development zone are: East Granby, Suffield, Windsor, and Windsor Locks (i.e., Bradley Airport Development Zone); Groton and New London (i.e., Groton-New London Airport Development Zone); and Waterbury and Oxford (i.e., Waterbury-Oxford Development Zone).